manitoba data services

1981-82
ANNUAL REPORT

manitoba data services

10th Floor, 215 Garry Street
Winnipeg, Manitoba
R3C 3P3

ANNUAL REPORT

For the year ended March 31, 1982

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HIGHLIGHTS OF THE REPORT

OPERATIONAL

- Introduction of standard product lines for distributed data processing and word processing
- Installation of a 3800 laser page printer
- Document Composition Facility announced for client use
- SP1 installed on the operating system

FINANCIAL

• Total revenues	$14,749,000
• Total expenditures	$13,008,000
• Net Income	$ 1,741,000

OUTLOOK FOR COMING YEAR

- Planned reductions in rates
- Addition of Computer Based Training programs to the MDS Education offerings
- Major computing capacity expansion anticipated in 3rd quarter 82-83

Winnipeg September 30, 1982

Honourable W. Parasiuk
Minister Responsible for
Manitoba Data Services

Dear Sir

In accordance with the Manitoba Data Services Act, I am pleased to present the Annual Report for Manitoba Data Services for the year ended March 31, 1982.

M G. Anderson
Chairman of the Board
Manitoba Data Services

THE HONOURABLE W. PARASIUK
Minister Responsible for Manitoba Data Services

BOARD OF COMMISSIONERS
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Chairman
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Vice Chairman
M.S. DOYLE
K.E. EDSTROM
R.P. GANNON

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General Manager
J. JONES
Director,
Client Support Services
D.J. PLUNKETT
Director,
Corporate Services
N.H. SHAKESPEARE
Director,
Operations Support Services

GENERAL MANAGER'S REPORT

It is a pleasure to report that this has been a year of significant progress and achievement for Manitoba Data Services. Financially the 1981 operating year has been the most successful since Manitoba Data Servic ; was established in 1975. As a result, the Commission has been in a position to institute major price reductions in its service rates. This action will provide clients with even greater financial benefit through application of computer technology to their current and future business requirements. Additionally, several important new product offerings were announced which will be of particular benefit to clients. Also of particular importance, the quality and reliability of the services provided to clients during the past year has consistently exceeded generally accepted industry standards.

Based on revenues of $14,749,000 Manitoba Data Services reported its second successive year in which an operating surplus was realized. Net revenues of $1,741,000 represent an increase over the previous year of 26%. As a result, the accumulated deficit incurred during the developmental phase of the business has been significantly reduced. Retirement of the deficit can now be expected to be achieved within the next two years.

Although the Commission did realize satisfactory financial results this year the rate of revenue growth was down significantly from the previous year in which a 22% increase was recorded. In the reporting year the increase in business revenues has been calculated at 9% over that reported in 1980. To a degree this lower percentage is attributable to a substantial rate reduction introduced in the last half of the year. Adjusting for this rate reduction, the growth in business load volume over the previous year is 12.5%.

In the latter half of the year Manitoba Data Services announced two new service offerings. These were both major new initiatives encompassing the areas of Distributed Data Processing and Office Systems. With the participation of clients, proposals from equipment manufacturers were evaluated for inclusion in a standard portfolio of devices from which Manitoba Data Services would be able to provide technical support and assistance. Since announcement, two distributed data processing facilities have been installed in customer offices with feasibility studies for office systems conducted for three clients. Early indications are that a significant volume of new business activity will be generated in both of these new service categories.

Effective December 1, 1981 a 10% reduction in rates was announced. The ability to offer reduced rates reflects the positive financial position of the Commission coupled with benefits from operating efficiencies which have been introduced over the past several years. A further reduction in Manitoba Data Services schedule of rates of 5% in the forthcoming operating year will provide even greater economies to clients.

Through ongoing programs to maximize service quality and availability Manitoba Data Services was able to achieve and maintain a high standard of service performance. Availability of prime shift service within the computing complex was 98.7% over the year. Availability of online and time sharing services were 98.1% and 98.3% respectively. A measure of the reliance on the services provided by Manitoba Data Services is realized in the fact that over 20 million online transactions were processed in support of a wide variety of client business activities during 1981.

In summary, 1981 has been a highly successful year. As in the past, Manitoba Data Services' overall success is clearly due to the talented and committed staff of the Commission and to the continuing support of its clients.

The Client Product Committee, comprised of both client and MDS representatives, addresses product planning issues.

Video based training plays an important role in MDS staff education.

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

To the Board of Commissioners of
Manitoba Data Services

We have examined the balance sheet of MANITOBA DATA SERVICES as of March 31, 1982 and 1981, and the related statements of operations, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Manitoba Data Services as of March 31, 1982 and 1981, and the results of its operations and the changes in its financial position for the years then ended in accordance with the basis of accounting described in Note 1 consistently applied during the periods.

Arthur Andersen & Co.

Chartered Accountants

Winnipeg, Manitoba
May 14, 1982

MANITOBA DATA SERVICES

BALANCE SHEET

ASSETS

	March 31 1982	1981
	(Thousands of Dollars)	
CURRENT ASSETS		
Cash	$ 392	$ (176)
Accounts receivable	2,379	2,887
Prepaid expenses	36	25
Investment with Province of Manitoba	4,050	1,750
	6,857	4,486
NET INVESTMENT IN LEASE (Note 2)	613	733
FIXED ASSETS — at cost		
Leasehold improvements	1,108	1,087
Computer equipment	9,735	9,826
Capital Lease (Note 2)	3,216	3,216
Furniture and fixtures	405	372
	14,464	14,501
Less accumulated depreciation	7,589	4,626
	6,875	9,875
OTHER ASSETS — at cost		
Proprietary software	1,400	1,201
Deferred expenses	942	942
	2,342	2,143
Less accumulated amortization	1,576	1,141
	766	1,002
Total Assets	$15,111	$16,096

LIABILITIES AND ACCUMULATED DEFICIT

	March 31 1982	1981
	(Thousands of Dollars)	
CURRENT LIABILITIES		
Accounts payable	$ 398	$ 437
Current Portion of Long-Term Lease Obligations	1,731	1,914
Current Portion of Advances from Province of Manitoba	849	772
	2,978	3,123
LONG-TERM LIABILITIES		
Lease obligations (Note 4)	2,587	4,319
Advances from the Province of Manitoba (Note 3)	10,678	11,527
	13,265	15,846
ACCUMULATED DEFICIT	(1,132)	(2,873)
Total Liabilities	$15,111	$16,096

The accompanying notes are an integral part of these statements.

M.G. Anderson,
Chairman

R.P. Gannon,
Board Member

NOTES TO FINANCIAL STATEMENTS

March 31, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the accounting for pension costs as set out in the following paragraph.

In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Corporation contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation fund. On the basis of an actuarial report, the unfunded liability for the Corporation's employees amounted to $975,000 as at December 31, 1981.

b DEPRECIATION AND AMORTIZATION

Depreciation and amortization are calculated using the straight-line method based on the estimated useful lives of the assets, which are:

Computer equipment	3 to 6 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	3 to 5 years
Proprietary software	3 to 5 years

c DEFERRED EXPENSES

Deferred expenses include the costs incurred in integrating the data processing of new clients and are amortized to operations on a straight-line basis over five years.

d LEASE OBLIGATIONS

Long-term leases that are financing in nature are capitalized. The assets leased

are included in fixed assets in the financial statements. Lease obligations represent the capital portion of future lease payments less the current portion of the leases payable which is included in accounts payable. The amounts included in fixed assets in respect of leased assets are $10,372,000 cost and $5,330,000 accumulated depreciation. The lease agreements expire between 1982 and 1986 and bear interest rates ranging from 11.5% to 17.7%. With the exception of the lease referenced in Note 2, at the end of the lease periods Manitoba Data Services will own the equipment.

e. REVENUE RECOGNITION

Revenue is recognized on the following basis:

1) Data processing services – as the services are provided.

2) Systems development – by applying the percentage of completion of the contract at the fiscal year-end to the total fee for the contract.

2. NET INVESTMENT IN LEASE AND CAPITAL LEASE

In November 1980, Manitoba Data Services entered into an agreement for the lease of an IBM 3033 processor from Comdisco Canada Limited and the lease to Comdisco Canada Limited of an IBM 370/168 processor both for a period of five years at a net monthly rental of $59,750. As a result of this transaction the imputed value of the 370/168 was determined to be $769,273 resulting in a loss in carrying value of $625,472. The 3033 processor has been recorded as a capital lease at the fair market value including provincial sales tax at the time of acquisition.

3. ADVANCES FROM THE PROVINCE OF MANITOBA

At March 31, 1982, Manitoba Data Services advances from the Province of Manitoba were $11,527,000, including the current portion of $849,000. The debt is in Canadian funds and

MANITOBA DATA SERVICES

STATEMENT OF OPERATIONS

	For Year Ended March 31	
	1982	1981
	(Thousands of Dollars)	
REVENUES		
Operating —		
Data processing services	$14,030	$12,865
Systems development	214	244
Miscellaneous	503	461
Operating revenues	14,747	13,570
Gain or (loss) on sale of equipment	2	(547)
	14,749	13,023
EXPENSES		
Salaries and administration	5,665	4,679
Computer equipment rental and maintenance	2,549	2,594
Depreciation and amortization (Note 5)	3,555	2,802
Interest —		
Province of Manitoba (Note 3)	1,230	1,230
Other, net of investment income	9	345
	13,008	11,650
NET INCOME FOR THE YEAR	$ 1,741	$ 1,373

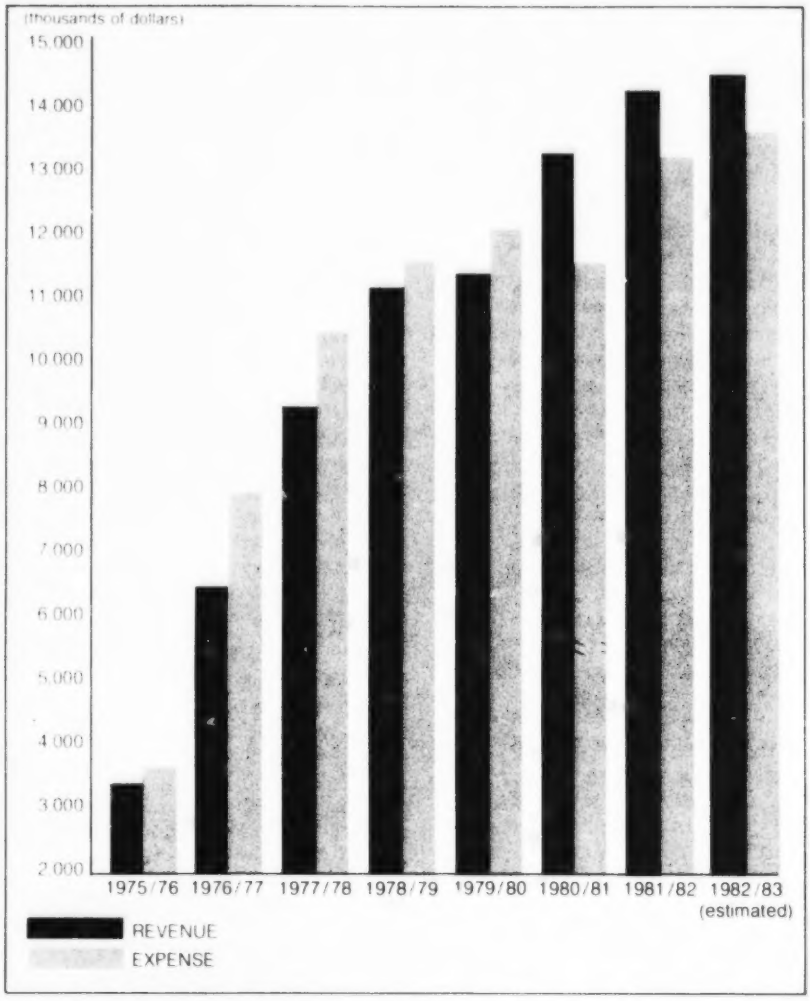
STATEMENT OF RETAINED EARNINGS

Accumulated Deficit At Beginning of Year	$2,873	$4,135
Past Service Costs — Vested Sick Leave (Note 6)	—	(111)
Restated Accumulated Deficit	2,873	4,246
Net Income For The Year	1,741	1,373
Accumulated Deficit At End Of Year	$1,132	$2,873

STATEMENT OF CHANGES IN FINANCIAL POSITION

	For Year Ended March 31	
	1982	1981
	(Thousands of Dollars)	
SOURCES OF FUNDS		
From operations including charges which do not involve any outlay of funds	$5,287	$4,748
Sale of computer equipment	81	228
Total source of funds	$5,368	$4,976
USES OF FUNDS		
Acquisition of computer equipment and proprietary software	$ 334	$1,874
Furniture, fixtures and leasehold improvements	57	89
Long-term lease payments	1,612	2,016
Repayment of loan to Province of Manitoba	849	772
Increase in working capital	2,516	225
Total uses of funds	$5,368	$4,976

The accompanying notes are an integral part of these statements.



HISTORICAL COMPARISON OF REVENUE AND EXPENSE

For Year Ended March 31, 1982

bears interest at 10% payable at the rate of $2,001,629 per annum from 1983 through 1991.

4. COMMITMENTS

Commitments at March 31, 1982, relating principally to non-capitalized equipment leases amount to $3.1 million, of which approximately $3,064,000 is payable in fiscal 1983.

The commitment in respect of long-term leases that have been capitalized (not included in the above mentioned commitment) is:

	Capital	Interest	Total
		(Thousands of Dollars)	
1983	$1,731	$ 550	$2,281
1984	1,188	328	1,516
1985	783	184	967
1986	617	42	659
	$4,319	$1,104	$5,423

5. COMPUTER DEPRECIATION

As a result of the decline in the resale value of IBM 3033 computers and in anticipation of the replacement of that equipment during 1982/83, the rate of depreciation on the equipment was accelerated. The effect on the net income for the year ended March 31, 1982, was to increase depreciation expense by $611,000.

6. PAST SERVICE COSTS - VESTED SICK LEAVE

Manitoba Data Services has a program wherein a portion of unused sick leave is vested to employees annually. The current portion of this program has been charged to expense, however, the costs for prior years amounting to $111,000 had not been recognized and have been charged to surplus as a past service cost, during 1981.

7. RELATED-PARTY TRANSACTIONS

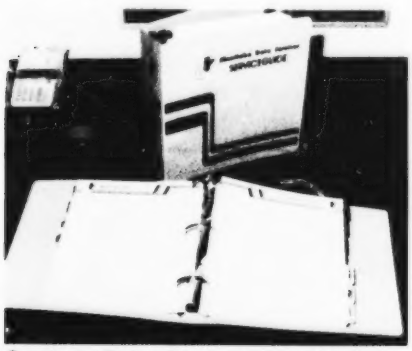
Substantially all of the revenue earned by Manitoba Data Services and the related receivables are from departments of the Manitoba Government, its crown corporations and agencies.

MANITOBA DATA SERVICES IN REVIEW

During 1981/82 Manitoba Data Services continued its emphasis on the provision of a high level of technical support for clients for both installed and new products and services.

The concept of an account team working with each client was developed further during the year. Each account team is led by a Client Representative with many years of data processing experience. Supporting the Client Representative are two or more Systems Engineering Representatives. Fully knowledgeable in the products and services offered by MDS, the team provides a resource that can be called upon to assist in the evaluation and implementation of new data processing endeavors as well as provide continuing support to current data processing activities. The account teams are the front line of support and are complimented by additional highly trained staff throughout MDS, that provide backup to the teams.

Serviceguide, MDS' reference manual on products and services, is a key support publication for clients. Extensive modifications were made to the manual in 1981/82 to improve overall usability. Information was realigned to put related material close together and under meaningful topic headings. Text was also rewritten and expanded to increase the clarity of information and index tabs were changed to include both chapter name and number to improve information lookup. To ease overcrowding and allow for future expansion Serviceguide was reissued as a two volume publication.



Serviceguide is a key support publication for MDS clients.

Education courses for clients continued to be a priority service at MDS. Courses offered are primarily introductory in nature and range from an Introduction to Data Processing to courses on the use of specific products. There were over 1,300 student registrations for classes this year. MDS' classroom facilities were in constant demand and over 52% of available classroom hours were allocated to client education.

In June 1981, Document Composition Facility (DCF), a product used internally at MDS for several years, was made available to clients. DCF provides the capability for online preparation and formatting of textual material for output on terminals or printers. Response has been very positive with a growing number of client applications utilizing this product.

A major benefit to clients was realized with the introduction, in September 1981, of the 3800 page printer. Printed output from client's computerized business systems can now be produced both faster and less expensively than before. The cost per page, including standard output paper, for a report printed on the 3800 is 4 cents. The same report done on a 3211 impact printer costs 10 cents per page. Further reductions in client printing costs can be realized through the use of 3800 special features. The Special Forms Printing and Forms Overlay features allow headings, columns and boxes etc. to be incorporated and printed on the standard paper at the same time computer generated information is being printed, often eliminating the

requirement for custom designed forms.

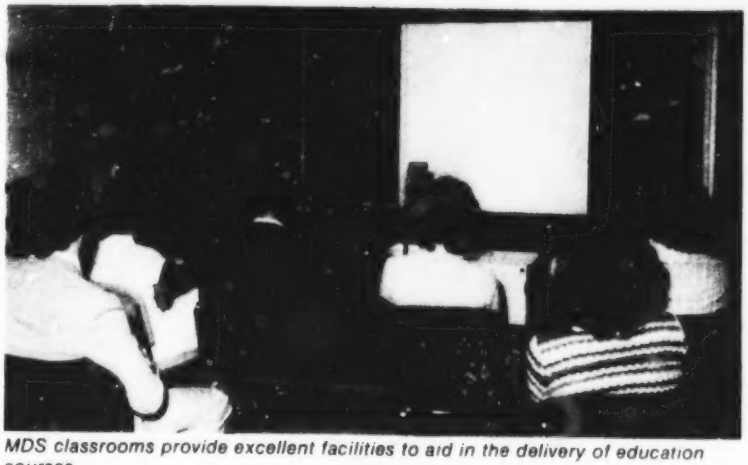
As reported by the General Manager decreases in computer processing rates were announced in 1981. In April 1981 VSPC rates were adjusted to more accurately reflect the cost of providing this service. The VSPC session charge, for CPU seconds was reduced 56% and workspace charges were changed to provide an additional 200 kilobytes at $0.02/kb/hour. Effective December 1, 1981 additional decreases included:

- A 25% reduction in the charge for Virtual Memory used.
- A modification to IMS online charges resulting in elimination of both the minimum transaction charge and the memory charge per k core minute.
- A modification of TSO charges to increase the service premium and eliminate the Virtual Memory used charge resulting in a 4.5% reduction in client costs.

In addition to the specific decreases, improvements in the performance efficiency of the operating system resulted in a modest decrease in the cost of processing certain jobs.

MDS' ability to retain staff has shown marked improvement over previous years. Despite a continuing high demand for qualified and highly skilled data processing people, MDS' staff turnover is at an all-time low. At the same time, MDS has been able to attract additional highly skilled staff. 1981/82 revenue per employee has increased 25% since 1978/79 yet the number of employees has increased by only 8% during the same period. This has been accomplished through productivity improvements resulting from the increased use of automated tools.

MDS has also participated in the University of Manitoba computer science cooperative program introduced this year. In addition to providing direct financial support, through an annual grant to the University's Computer Science Department, MDS has also employed students enrolled in the program.



MDS classrooms provide excellent facilities to aid in the delivery of education courses.

Operationally, MDS concentrated its efforts on the continued provision of consistent high quality computing services. This included the need to incorporate software and hardware changes to maintain system currency yet achieve cost saving benefits via improved throughput.

System Product 1 (SP1), an extension to the operating system, was installed to ensure MDS' continuing ability to accommodate future system changes required to meet the long term needs of the client base.

Late in the year MDS also announced general availability of Customer Information Control System (CICS), a general purpose data communications monitor to support terminal oriented transaction processing. Through the CICS monitor, MDS will be able to support a much broader range of client application packages.

Throughout the year, MDS continued to put a great deal of effort into assessing its continuing ability to meet both current and future processing requirements of clients. This activity enables MDS to monitor workload growth versus available system capacity and identify the optimum point for initiating a capacity upgrade. Capacity planning is an ongoing function at MDS to ensure that the Commission continues to provide currency and dependability in the data processing products and services available to, and required by, its clients.

POOR

QUALITY

ORIGINAL